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## Japan

### Market Development Reports

#### Food Business Line

*Periodic Press Translations from ATO Tokyo*

**2002**

Approved by:

**Karen Halliburton, Deputy Director**

**ATO Tokyo**

Prepared by:

Karen Halliburton, Deputy Director

Akiko Matsuyoshi, Marketing Clerk

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**Report Highlights:** A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: Japan Chain Stores Association announces food sales of member supermarket companies increased 1.5% in May; Seibu Department Store plans to sell all its shareholdings in Seiyu, Seiyu Food Systems and other group firms over the next three years; food manufacturers are tightening inspection standards and reviewing suppliers following recent food safety scandals; and soymilk has gained popularity as a substitute for cow milk since the detection of BSE in Japan.

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# Food Business Line

Periodic Press Translations from ATO Tokyo

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## Retail/Wholesale

- *The Japan Chain Stores Association* announced that food sales of its member supermarkets increased 1.5% in May on a same-store basis compared to the same month last year. This is the third consecutive month of increase for this category. However, total sales declined 0.8% during the same period, the 42<sup>nd</sup> consecutive month of decline. (a 6/22)
- *Seibu Department Store* plans to sell all its shareholdings in *Seiyu*, *Seiyo Food Systems* and other group firms over the next three years, starting with a partial sale of its stake in *Credit Saison* by the end of June. *Seibu* hopes this will improve its financial health before its merger with the troubled *Sogo Department Store* chain scheduled for 2004. (a 6/27)
- *The Japan Department Store Association* announced on June 24 that total sales of its member department stores in May declined 2.1% on a same-store basis compared to the same month last year. This is the second consecutive month of decline. (a 6/22)
- Many retailers that enjoyed sales growth in 2000 saw smaller increases in 2001 because of price declines, according to a survey of the top 500 retail firms by the *Nihon Keizai* newspaper. In addition, supermarkets reduced floor space and outlets for the first time in 2001 because of the deflated economy. The reduction also was due to restructuring moves, such as those by *Daiei* to shut down unprofitable outlets, as well as companies' reluctance to open new stores as the Large-Scale Retail Store Law took effect. (a 6/27)

## Food Service

- Japan's major institutional companies predict an increase in group operating profit in 2002. For example, *Nissin Healthcare Food Service* expects operating profit to increase 11%. *SHiDAX Corporation* expects a drop in revenue due to its unprofitable U.S. catering subsidiary, but its operating profit is expected to rise 14% on strong orders for its domestic catering services from hospitals and solid earnings at its karaoke establishments. *Green House*, which acquired another catering firm, also expects a rise of 37% in its operating profit. (a 6/15)

## Food Processing/New Products/Market Trends

- More and more food manufacturers are tightening inspection standards and reviewing suppliers following the recent food safety scandals. *Kagome*, *Itoham*, and *Riken Vitamin* will demand that suppliers update product-quality assurance documents in order to ensure greater safety in their procured ingredients. *Kagome* will even request that suppliers make detailed descriptions of raw ingredients and production methods. *Meiji Milk* will demand that its suppliers prove third-party quality assurance. *Ezaki Glico* plans to review all of its current ingredient suppliers. *Morinaga* and *Calpis* have launched inter-divisional teams to strengthen their food safety inspections. (a 6/15)

- Soymilk has gained popularity as a substitute for cow milk, especially since the detection of BSE in Japan. For example, confectionery manufacturer *Toraku*'s soymilk pudding is selling well, and pub restaurant chain "Tsubo-hachi" has introduced a cold soymilk soup and pasta dish. *Starbucks* also has introduced soymilk in addition to milk. According to Japan's Agriculture Ministry, soymilk production volume increased 25% in 2001 compared to 2000. (a 6/19)
- The size of the retail market for ham and sausage products was 7.8 billion dollars in 2001, down 2% from 2000. The market has continued to shrink since 1998. (f 6/17)
- *Japan Frito-Lay* announced on June 21 that it will recall approximately 500,000 of its products, including the "Doritos" brand, due to the detection of an agricultural pesticide residue from a corn ingredient imported from Australia which exceed the food sanitation law standard. (a 6/22)
- The Tokyo Metropolitan Government announced that the agricultural chemical chlorpyrifos exceeding the food sanitation law standard was detected in frozen spinach imported by *Nichiro* from China. *Nichiro* was requested to recall all of the products containing the spinach. (a 6/22)
- Upscale Japanese beef brands, such as Matsuzaka beef and Kobe beef, are regaining their popularity after the detection of BSE in Japan. Their strict quality control standards seem to have attracted consumers. The wholesale price of these upscale brands rose to a record high in June. (a 6/25)
- *Snow Brand Milk Products* and *Lotte* announced on June 24 that they will launch a joint venture ice cream company named *Lotte Snow* on October 1. The new firm will take over the ice cream operations of the struggling *Snow Brand Milk*, and will sell brands such as *Snow Brand*, *Dole*, and *Hershey*. With this merger, *Lotte* will become the largest ice cream manufacturer in Japan. (f 6/27)

#### ATO/Cooperator/Competitor Activities/Trade Shows

- The *US Meat Export Federation* held a symposium on US pork health and nutrition entitled "Healthy Life by Eating Pork" on June 6 in Yokohama. Some 200 participants, mainly consumers, attended the event. (f 6/17)

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#### Sources

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| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal        |
| (c) The Japan Food Journal       | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News          | (f) The Food Industry News              |

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